

**APPROVED MINUTES
SUNNYVALE CITY COUNCIL SPECIAL MEETING
BUDGET WORKSHOP
TUESDAY, MAY 23, 2008**

8:30 A.M. - SPECIAL COUNCIL MEETING

SALUTE TO THE FLAG

Mayor Lee led the salute to the flag

ROLL CALL

PRESENT: Mayor Anthony Spitaleri
Vice Mayor Melinda Hamilton
Councilmember John Howe
Councilmember Otto Lee
Councilmember Ron Swegles
Councilmember Christopher Moylan
Councilmember David Whittum

ABSENT: None

STAFF PRESENT: City Manager Amy Chan
Assistant City Manager Robert Walker
City Attorney David Kahn
Director of Community Development Hanson Hom
Director of Finance Mary Bradley
Finance Manager – Budget Grace Leung
Director of Public Works Marvin Rose
Director of Information Technology Cuong Nguyen
Director of Libraries Deborah Barrow
Director of Parks and Recreation David Lewis
Director of Public Safety Don Johnson
Director of Human Resources Erwin Young
City Clerk Gail Borkowski

PUBLIC COMMENTS

Public comments opened (time not recorded).

Craig Horne spoke in favor of funding a full-time sustainability coordinator. Horne explained the benefits of hiring a full-time over a part-time coordinator position.

Vice Mayor Hamilton inquired why Horne believed that a full-time position would attract more grant money. Horne explained that a full-time person would have the time to research and apply for grants. Horne stated that additionally a full-time person would prove to the granting agencies that the City is committed to increasing sustainability.

Public comments closed (time not recorded).

OVERVIEW OF THE RECOMMENDED FY 2008/09 BUDGET AND RESOURCE ALLOCATION PLAN

City Manager Chan announced that this will be her final year for the budget presentation. City Manager Chan explained that the proposed budget is a sustainable budget for the next twenty years.

City Manager Chan reviewed how the agenda for the day will proceed and listed the items that she will review with Council as follows:

1. Overview of FY 2008/09 Recommended Budget
 - Budget Process
 - Summary of City's fiscal condition
 - Budget Supplements
 - Challenges and Opportunities
 - Budgetary Assumptions
 - Budgetary Changes
2. Fund Reviews: 20-Year Financial Plans
3. Review of Operating Programs
4. Review of Capital Project Changes
5. Review of Fee Schedule
6. Conclusion
7. Questions and Comments

Mayor Spitaleri recognized that this is City Manager Chan's last budget review. Mayor Spitaleri thanked the city manager and staff for their work involved in putting the many volumes of budget binders together. Mayor Spitaleri stated he is pleased to see a well-balanced budget and agrees with the city manager that the twenty-year budget planning has kept the City stable and provided the highest level of services to the community. Mayor Spitaleri thanked City Manager Chan for her work on this budget and all the previous budgets that she has been involved with.

City Manager Chan explained that putting together a budget requires Council's leadership and guidance and direction. City Manager Chan thanked the department directors for their conscientious work on this year's budget. City Manager Chan explained the budget would not be possible without the talented staff from the Finance Department.

City Manager Chan provided an extensive overview of the Recommended FY 2008/09 Budget and Resource allocation plan as outlined above (including a PowerPoint presentation).

During the review of the FY 2008/09 recommended budget, City Manager Chan discussed the following: budget processes; summary of the City's fiscal condition; budget supplements; challenges and opportunities; budgetary assumptions; budgetary changes; fund reviews; 20-year financial plans; operating programs, capital project changes and fee schedules.

City Manager Chan presented the schedule for the budget process as follows:

Study Issues/Budget Issue Workshop: January 25, 2008
Budget Prioritization Process (performed by sub-committee)
Budget Workshop: May 23, 2008
Public Hearing: June 3, 2008
Budget Adoption: June 10, 2008

City Manager Chan explained that the budget prioritization process is new to the budget process this year. City Manager Chan stated since this is a new process, Council may want to refine the process over the next few years. City Manager Chan explained that the purpose of this budget tool is to make funding decisions based off a priority listing.

City Manager Chan explained that should staff recommend budget supplements that Council does not want to move forward on, Council could decide to retain the supplemental amount as future service level set aside money for a future project. However, should Council wish to move forward on a new request or a budget supplement, which is not included in the recommended budget, then Council could review the low priorities to see which existing service, or project programmed to be funded, may be replaced by Council's new higher priority item. The priority list will help with decisions because Council may want to move something forward that has a higher priority than the item included in the recommended budget. City Manager Chan explained that this is not a process to reduce the budget; rather it is a priority system tool that will assist Council when reviewing items to add or remove from the budget. City Manager Chan emphasized that the revenue from the new downtown center, once it is completed, has already been factored into the 20-year budget projections.

City Manager Chan offered an explanation as to her reasoning behind the budget supplements she is recommending and those that she did not support. City Manager Chan encouraged Council to review the individual staff reports associated with each budget supplement.

City Manager Chan concluded her budget overview and Mayor Spitaleri called for a ten minute recess (time not recorded).

Mayor Spitaleri verified with City Manager Chan that upon return from the recess, she will address questions from Council regarding the items she has presented up to this point in her budget presentation.

Councilmember Lee inquired if the city manager's idea of sharing a full-time environmental sustainability coordinator was offered to cities other than just the City of Cupertino. City Manager Chan stated that the City of Santa Clara was approached first but for a variety of reasons they wanted to have further discussion, whereas, the City of Cupertino was ready to proceed assuming that both Councils approve the position. How the position is structured would be an operational matter; however, the funding source would need Council's approval. Councilmember Lee verified with the city manager that there are no other employees within the City that are shared with another city.

Vice Mayor Hamilton verified with city manager that the City will be reviewing all fees including residential and commercial.

Vice Mayor Hamilton questioned how the environmental coordinator position would be split between the two cities. City Manager Chan responded that the environmental coordinator may be a Sunnyvale staff person who is contracted out to City of Cupertino, but the details have not been worked out as it is not known if both Council's will approve this position.

Vice Mayor Hamilton inquired about the electronic filing of Fair Political Practice Commission (FPPC) filings as to whether anyone who is required to file would have access to do so electronically. City Manager Chan responded that the intent would be to have all filers, submit their filings electronically.

Vice Mayor Hamilton inquired how long the City would keep copies of the FPPC forms. City Manager Chan responded that staff would discuss that with the records management consultant.

City Manager Chan explained that the records retention schedule is part of the larger records management project that is currently underway.

Vice Mayor Hamilton verified that Council will not be taking any action during today's meeting; however, Council action will be required at the budget adoption scheduled for the June 10, 2008 Council meeting. City Manager Chan encouraged Council to notify staff as soon as possible if they want more information on an item due to the short turnaround time until adoption of the budget.

City Manager Chan responded to questions from Councilmember Swegles regarding the budget supplement for the environmental care position; the managed care program; records management project; and set-aside funds.

Councilmember Whittum disclosed that he has a conflict of interest on budget supplemental items 11 and 12 because he lives within 500 feet of Mathilda and Hendy, and he will not be speaking on these items. Councilmember Whittum explained that the city attorney advised that it is acceptable to listen to the report since nothing will be voted on this evening.

Councilmember Whittum inquired as to the equipment life for the automatic materials handling system for returned library materials. Director of Libraries Deborah Barrow stated that the equipment has not currently been selected, however, long-term equipment will be recommended and careful consideration will be used prior to selecting a system should Council approve this project. A further discussion occurred between Councilmember Whittum and City Manager Chan regarding the automatic materials handling system. Councilmember Whittum verified with City Manager Chan that the replacement cost was not reflected in the cost savings and revised numbers will be addressed during the budget hearing report.

Councilmember Whittum discussed placing all FPPC forms online, regardless if filed electronically and City Manager Chan stated staff will return to Council during the public hearing in terms of what is possible and what the additional cost would be to scan in all forms.

Councilmember Whittum confirmed with Director of Public Safety Don Johnson that adding additional law enforcement efforts are not being recommended because the enforcement initiatives that staff already performs have resulted in the department being very close to capacity. Director of Public Safety Johnson explained that staff is also needed on the street for regular calls.

Councilmember Whittum questioned if the duties of the environmental coordinator could be added to the economic development director position which is currently also open. City Manager Chan explained that the two positions require specific expertise and the economic development position is a director position.

Councilmember Whittum verified with City Manager Chan that the City Hall offices were designed in the 1960's and functionality, loss of efficiency, and reduced work product are some of the issues with the current situation for City offices.

Councilmember Howe thanked City Manager Chan and staff for their efforts on the budget. Councilmember Howe noted that many of the items being recommended involve process improvements for the coming year. These improvements will extend well beyond the city manager's tenure, which is indicative of her commitment to the City.

Councilmember Howe inquired if the parks study had been included in the budget and City Manager Chan responded that there is not any specific funding set aside for the study; however,

the park dedication fees could be used to support this study. City Manager Chan stated she anticipates that the recommended funding source will be tied to the study.

Councilmember Moylan stated it would be useful to the Council if the city manager could provide a breakdown of the property taxes and City Manager Chan stated that will be covered during the fund review.

Councilmember Moylan inquired why some supplements are listed as one-time and some as ongoing and City Manager Chan stated the one-time supplements would likely be for a capital improvement cost and the ongoing supplements have ongoing operating costs.

Councilmember Moylan verified with City Manager Chan that it is possible for Council to fund community event funding support as an ongoing expense and staff will return to Council with the cost of funding this as an ongoing expense within the 20-year budget.

Councilmember Moylan stated the fiscal policy states that the City's fees and taxes will be competitive with other cities; therefore, it appears that budget supplement six would be necessary or the City would be out of compliance with its own policy. Councilmember Moylan and City Manager Chan discussed the City's fiscal policy, the unique services that the City provides, and how the City attempts to perform cost recovery. Councilmember Moylan suggested that Council needs to become clearer on what is meant by being competitive within the fiscal policy. City Manager Chan stated that being competitive and following cost recovery policies can sometimes be at odds.

Councilmember Moylan questioned why funding for Junior Achievement of Silicon Valley and Santa Clara Valley Blind Center are coming before Council as budget supplements instead of competing against all the other non-profit agencies. City Manager Chan explained that this is a change in process because in January 2008, Council asked to have the \$100,000 in funding for service groups folded into the service level set-aside fund in order that all the requests coming in would be required to go through a competitive process.

Councilmember Moylan asked questions regarding the priority ranking process and offered suggestions to create uniformity within the ranking system. City Manager Chan explained that core services are the administrative arm of the other agencies. City Manager Chan identified that there are five categories within the NOVA services; however, the NOVA services were ranked at the lowest category. City Manager Chan explained that this is not within the City's control as the City of Sunnyvale is one of seven partner cities. NOVA is not a service that the City uses the General Fund to support.

Councilmember Moylan questioned why the City would redact addresses from FPPC forms that are posted on the web. City Manager Chan stated she would return to Council with the answer to the entire privacy question during the June 3, 2008 budget meeting.

Councilmember Moylan suggested that the balanced growth index chart contained in the community condition indicators section be moved to reside with the city manager's transmittal letter or in the budget overview section, because it is very important.

Councilmember Moylan verified with the city manager that the balanced growth index chart identifies that the City's population is a year ahead of where the City had anticipated within the 20-year plan. Councilmember Moylan identified that the chart also indicates that the City is a year ahead in jobs; housing is half a year behind; office space is a year and a half behind; tax revenues are as anticipated, and public school capacity is a little high.

Councilmember Moylan questioned whether the average number of people living in a house is increasing because housing is behind the population growth. Councilmember Moylan questioned whether any policy implications would be caused by an increase in the number of people living in a house. Councilmember Moylan stated that the jobs-housing ratio is getting worse. City Manager Chan explained that the one-year data is important for future planning purposes.

Councilmember Moylan stated he would like to know what staff considers the implications to be from this information because it should affect Council's decision for the next year. City Manager Chan stated staff will follow Council's guidance regardless of who is in the City Manager's position. Councilmember Moylan identified that the data contained in the community condition indicators section is among the most important information that Council has received.

Mayor Spitaleri stated he agreed with the concept of regional cooperation from other communities with respect to environmental sustainability.

Mayor Spitaleri inquired if any portion of the funds from Proposition 1B will be set-aside for sidewalk repairs. City Manager Chan stated the funds are anticipated but they are not enough to fix the \$16 million needed for sidewalk repairs; however, it is a beginning. City Manager Chan stated that the condition of the sidewalks is something the City wants to repair but their condition is not at the same level of risk compared to other cities.

Mayor Spitaleri inquired if the City is putting money aside on an ongoing basis in order to address future infrastructure issues and if so what percentage of the budget is set aside per year. City Manager Chan explained that the City has been setting aside funds for approximately 10 years to address infrastructure issues. Director of Finance Bradley explained that all the utilities set aside significant amounts of their own funds for infrastructure. City Manager Chan explained that it is not enough to put funds aside without assessing if it is enough, and whether funds are replaced too soon or too late.

Councilmember Swegles inquired about the library reserve fee and Director Barrow stated the reserve fee is a convenience fee. The amount of the fee attributed to staffing covers the cost of staff actually collecting the fee, because currently library users are able to place the hold themselves. When the item comes in, staff places the item aside for the public member and the fee collected covers the cost of this service.

Councilmember Swegles verified with City Manager Chan that it costs the City more than the 50-cent reserve fee that is being collected for the services provided. Since the revenue is not enough to cover the personnel costs, it appears that elimination of the reserve fee would actually save the City money for staff time.

Councilmember Whittum verified with City Manager Chan that Council has many choices for ways to fund the \$640,000 for the concrete maintenance program as identified in Alternative 1 for Budget Modification Number 14. City Manager Chan provided an explanation on different ways to fund this item through either cost decrease or revenue increase.

A discussion occurred between Vice Mayor Hamilton and Director of Public Works Marvin Rose regarding the proposed use of Proposition 1B monies for the purpose of addressing the backlog of sidewalk repairs.

Councilmember Swegles discussed the City's use of rubberized sidewalks with Director of Public Works Rose who stated currently rubberized sidewalks are cost prohibitive but that may change if concrete costs continue to rise.

Mayor Spitaleri called for 30-minute lunch recess.

Mayor Spitaleri reconvened the Council meeting. (time not recorded)

FUND REVIEWS: 20-YEAR FINANCIAL PLANS

City Manager Chan reviewed the City's financial plans as follows:

General Fund; Special Revenue Funds: Community Development Block Grant; Park Dedication Fund; Employment Development Fund; Gas Tax Fund; Redevelopment Fund; Capital Projects Funds; Infrastructure Renovation and Replacement Fund; Enterprise Funds; Water Supply and Distribution Fund; Wastewater Management Fund; Solid Waste Management Fund; SMaRT Station Fund; Community Recreation Fund; General Services Fund; Employee Benefits Fund; Fiduciary Funds.

SERVICE LEVEL SET-ASIDE

City Manager Chan provided an update as to what was used from the Council set-aside during the current fiscal year. City Manager Chan stated the remaining balance for FY 2008/09 is \$610,351. This amount is not enough to cover all the budget supplements and a gap exists in the amount of \$524,545. City Manager Chan explained that staff has considered the additional funds to be a loan from the General Fund, which will be amortized over 20 years and will reduce future years' allocation. City Manager Chan explained that Council will be allocated \$342,504 for each year over the next 20 years beginning FY 2009/10.

Councilmember Swegles inquired about the decrease in property taxes and how that would affect this year's budget. City Manager Chan stated the assessment is based on market values, but can only be increased by 2 percent each year due to Proposition 13. So, even though the assessed values have been reduced, the assessor looks at market value. City Manager Chan explained that if the property is assessed higher than the market, then the assessor would reduce the assessment but if it is below the market, the assessor has no choice to do anything other than follow the formula of Proposition 13.

Councilmember Swegles stated his concern is over the last segment of homes recently sold that were bought at the top of the market and will now have their property taxes reduced due to current market values. City Manager Chan stated that those reductions have already been taken into consideration. City Manager Chan explained that the County of Santa Clara has provided the City with the data needed to project the reductions in property tax revenue into the budget.

Councilmember Swegles continued discussions with the city manager regarding the transit occupancy tax fee. Councilmember Swegles verified with City Manager Chan that the closing of the Ramada Inn was taken into consideration in the budget.

Councilmember Swegles inquired if there is a way to reduce the amount of the budget modification for the electronic records management in order to have more flexibility with some other funds. City Manager Chan explained that the amount for the electronic records management project is staff's best estimate. Assistant City Manager Robert Walker stated the costs for this system is very modest.

Councilmember Swegles inquired whether the project could be slowed down and Assistant City Manager Walker stated that the project could be deferred, however, that would not help the City achieve their goals of starting a records management program. Assistant City Manager explained that this project has been ongoing for five to 10 years.

Councilmember Swegles stated a records management system is a great goal to have but considering some of the other items that will not be funded, he would suggest the project be delayed to the point where there would not be this type of large expenditure. Assistant City Manager Walker explained this item can be deferred but it will still be an impact to the 20-year plan. City Manager Chan explained that deferring an item from one year does not create any gain based on the way the City budgets over twenty years. City Manager Chan stated it would be difficult for staff to estimate if the cost of this project could be reduced because they are in the middle of this study.

Vice Mayor Hamilton discussed with City Manager Chan the history of the budgeted amount for outside group funding related expenses. City Manager Chan explained that currently the outside funding has been rolled into the Council set-aside fund.

Mayor Spitaleri verified with City Manager Chan that the set-aside fund is general fund money. Mayor Spitaleri inquired whether the set-aside fund should be eliminated and if money is needed, the projects are dealt with individually and if approved, the funding comes directly out of the general fund. City Manager Chan stated if it is Council's desire to eliminate the set-aside fund that could be done. City Manager Chan explained if Council had a particular item they wanted to have addressed, they would take the funding out of the general fund reserve.

City Manager Chan discussed the City's general fund reserves. City Manager Chan explained that a contingency reserve should be for an emergency that is not previously anticipated. Should funds need to be used, the intent is always to replenish the reserve for the following year.

Councilmember Whittum verified with City Manager Chan that the 20-year savings plan is not deficit spending. Councilmember Whittum stated that funds appear to be dwindling at the end of the 20-Year Resource Allocation Plan (Rap). City Manager Chan explained that it is a financial plan which anticipates revenue coming in each year against the expenditures and the 1.9 will be the amount that represents the difference between the two within the 20-year plan.

Councilmember Moylan questioned if there is a simple method which identifies which year money should be added or taken out of the 20-year RAP. City Manager Chan explained that the City looks at a 20-year plan with the thought that at year 20, the balance will be as close to zero as possible.

City Manager Chan continued her review of special revenue funds.

Councilmember Whittum inquired if the City can legally increase the park dedication fees and City Manager Chan explained that the ordinance states that the fee is based on land value.

Councilmember Whittum verified with City Manager Chan that the enterprise funds are looked at over 20 years and staff factors in capital costs.

Councilmember Swegles verified with City Manager Chan that the increase in water rates is due to capital improvement programs.

Councilmember Swegles inquired whether staff looked at eliminating the City's water features and City Manager Chan responded that this year's budget does not recommend changes to any service levels; however, Council will have an opportunity to change any service level on June 10, 2008. Councilmember Swegles verified with City Manager Chan that staff will highlight the cost factors for the water features in the staff report.

Councilmember Whittum noted the traffic impact fee will go up 6 percent and questioned if that would be enough because materials seem to be increasing at a higher rate. Director of Finance

Mary Bradley explained that staff did review the traffic impact fee and determined the construction cost index was an appropriate index to base the fee on because it reflects the cost of the materials. Director of Finance Bradley explained that the City has been behind on this fee but should be caught up by next year. City Manager Chan added that several years ago, Council did not want to raise the fee and although staff has raised the fee over the years, there is still a four percent gap that should be corrected by next year. Councilmember Whittum verified with City Manager Chan that Council could direct staff to raise the fee to 10 percent during adoption of the budget on June 10, 2008.

Councilmember Whittum questioned why staff is not recommending to fully fund the full 20-year cash flow of approximately \$2.9 million for the employee benefit fund at this point. City Manager Chan explained that there is not any extra money in the RAP and if the reserve is used then Council would have to decide not to do something else. City Manager Chan explained that the 20-year RAP is not a savings account; rather it is a savings plan that puts aside money based on the total requirement.

Councilmember Whittum verified with City Manager Chan and Director of Finance Bradley that currently the return on the general fund is better than the employee benefits trust and that is why the City has not moved funds over to the trust. Director of Finance Bradley explained that historically the employee benefits trust is projected at 7.75 percent or better and once that rate returns, the City will benefit from moving funds into the trust.

Mayor Spitaleri called for a 10-minute recess.

Mayor Spitaleri reconvened the meeting (time not recorded).

REVIEW OF OPERATING PROGRAMS

City Manager Chan explained that the next portion of the meeting will include the department directors briefly covering significant changes in their programs.

Director of Public Works Rose gave a brief presentation on the following programs: Transportation and Traffic, Street Lights, Pavement Operations, Roadside and Median Right of Way Services, Concrete Maintenance, and Street Tree Services.

Councilmember Whittum verified with Director of Public Works Rose that they work very closely with the Finance Department and last year it was decided to base the traffic impact fee on the construction cost index. Councilmember Whittum verified that a 10 percent increase would be necessary to bring the fee current.

Director of Community Development Hanson Hom gave a brief presentation on the following programs: Housing and Human Services, Land Use Planning, Construction Permitting, Neighborhood Preservation, Management and Support Services, and Economic Development.

Director of Public Works Rose stated that the programs which are set and paid for by the Downtown Parking District have had no changes. The programs include Maintenance and Parking District, Landscape Management, and Parking Lot Maintenance.

Director of Parks and Recreation David Lewis gave a brief presentation on Neighborhood Parks and Open Space Management.

Councilmember Moylan explained that Council previously approved to use Council set-aside funds for building a restroom at San Antonio Park. Councilmember Moylan stated that it seems to be an artificial division to have an ongoing parks and recreation program handle all the City's park

bathrooms expenses except for one which receives funding from the Council set-aside fund. Councilmember Moylan inquired as to why all the restrooms have not been combined and Director of Finance Bradley explained that when a capital project has been approved and it has an ongoing expenditure, the ongoing expense is added to the budget for the respective department. Once the restroom has been completed at San Antonio Park, the ongoing expenses will be added to the parks and recreation department budget.

Vice Mayor Hamilton verified with Director of Parks and Recreation Lewis that projects identified from the Parks of the Future study will be incorporated into next year's capital cycle.

Director of Public Works Rose gave a brief presentation on Enterprise Funds, Public Works Management, Property Management, Engineering Services, and Capital Project Administration.

Director of Public Safety Don Johnson gave a brief presentation on the following programs: Fire Services, Police Services, Community Safety Services, Personnel and Training Services, Investigation Services, Communication Services, and Public Safety Management and Support, and Records and Property Services Management.

Vice Mayor Hamilton inquired if records management for property services could be tied to the overall City records management project. City Manager Chan responded that the intent of the citywide project is to look at all city processes and eliminate any duplication.

Assistant City Manager Robert Walker gave a brief presentation on the following programs: Columbia Neighborhood Center and Youth and Family and Child Care Resources.

Councilmember Lee verified with Assistant City Manager Walker that the boxing program is being relocated, but it is still an active program.

City Manager Chan gave a presentation on Economic Development's six programs.

Councilmember Moylan verified with City Manager Chan that the employment development programs are 100 percent grant funded and are designed for a specific purpose; therefore, there is not any flexibility in using the funds for another project.

Director of Parks and Recreation Lewis stated there are no major changes in the Management and Support Services program.

Director of Libraries Deborah Barrow stated there are no significant changes in the library's budget this year.

Councilmember Howe verified with Director of Libraries Barrow that some personnel moves were made in order to improve customer service.

Director of Parks and Recreation Lewis gave a brief presentation on the following programs: Golf Course Maintenance Operations and Golf Shop Services, and Arts and Recreation Programs and Operation of Recreational Facilities.

Councilmember Swegles presented several recommendations to increase usage at the golf courses to Director of Parks and Recreation Lewis. Councilmember Swegles stated he received these recommendations from community members and he presented them to Director of Parks and Recreation Lewis for his review.

Councilmember Swegles verified with Director of Parks and Recreation Lewis that the golf shop is run similarly to a commercial golf shop and it is a significant profit center for the City.

City Manager Chan stated staff will provide feedback at the June 3, 2008 Council meeting on the suggestions that Councilmember Swegles gave to Director of Parks and Recreation Lewis.

Councilmember Swegles commended staff for offering the possibility of having continuous golf cart paths, which would significantly increase revenue.

Councilmember Moylan inquired about the Proven People Program which appears to be an employee-development program contained within the Parks and Recreation budget. Director of Parks and Recreation Lewis stated this program was originally a NOVA program and about a year ago it was absorbed into the community recreation fund. Director of Parks and Recreation Lewis explained that the program does not specifically fit into the department's core vision of recreation and it is a financial drain on the enterprise fund. Director of Parks and Recreation Lewis stated that there are other resources available for this service.

Councilmember Moylan inquired whether the funds for the Proven People Program were to be reallocated, would they be required to be reallocated to another project that is paid for by the parks and recreation fund. Director of Finance Bradley explained that previously the general fund paid the NOVA fund to run the program and recently it was decided that the program was more of a senior center program and it moved, along with the general fund support, to the community recreation fund. If the program ended, the funds would be returned to the general fund and those funds would be available for another use by Council.

Director of Finance Bradley gave a brief presentation on the following programs: Financial Management and Analysis, Payroll Administration, Management and Support Services of the Department, Accounting and Financial Reporting, and Utility Billing Collection and Revenue Management.

Assistant City Manager Robert Walker gave a brief presentation on the following programs: Community Building Civic Engagement and Volunteering, Intergovernmental Relations, Policy Analysis and Citywide Process Improvement, Boards and Commissions, Office of the City Manager Office Department Management and Support Services, Communications, Public Records and City Elections.

Councilmember Moylan requested that staff obtain copies of the annual board and commission member surveys results, broken down by each board or commission, for Council's review. Assistant City Manager Walker agreed and stated that the results of those surveys will come back to Council in the City Manager's year end report which will be completed in September or October.

Director of Finance Bradley gave a brief presentation on the following programs: Purchasing and Payment of City Obligations, Budget Management, Treasury Cash Management, and Program Performance Audits.

City Attorney David Kahn stated he has one program which is Comprehensive Legal Services and there are no significant changes this year with the exception of transitioning the Risk Management program to Human Resources.

Director of Human Resources Erwin Young gave a brief presentation on the following programs: Recruitment, Classification and Compensation, Employee Development, Employee Benefits Program, Human Resources Public Information and Management Support, City Liability Property Safety Service Workers Compensation Benefit Program.

Councilmember Moylan inquired why Risk Management was moved into Human Resources and Director of Human Resources Young explained that a comprehensive risk management program involves lots of issues. Director of Human Resources Young stated a large portion of cities do have their risk management program contained within the Human Resources Department because of the overlap of other risk management programs. Councilmember Moylan verified with Director of Human Resources Young that where cities place the risk management program is an arbitrary choice.

Director of Information Technology Cuong Nguyen gave a presentation on the following programs: Application, Integration Services and Support, Infrastructure Services and Support, Internal and External Business Support Services, Print, Copy, Mail Services Support, Information Technology Department Management and Support Services.

Councilmember Swegles inquired if the City could save paper and time by placing the contents of weekly Council meeting agenda binders onto a computer disc. Director of Information Technology Nguyen verified that would be possible. Councilmember Swegles asked City Manager Chan if the City has considered this possibility. City Manager Chan stated that this can be done; however, each Councilmember would need to let staff know their preference as to whether they would want to continue receiving paper material in the binder, or if they would prefer to receive all the agenda material on a CD. Councilmember Swegles suggested that those Councilmembers who would like to have a paper version of the agenda packet could print it from the CD off their own printer. Councilmember Swegles stated this process would save the City quite a bit of money, time, and energy.

City Manager Chan explained that Council may direct staff to provide CD's to Council or Councilmembers could let staff know their individual preferences.

Councilmember Swegles inquired if staff could provide information to Council at the June 3, 2008 Council meeting as to the cost savings of replacing weekly paper agenda packets with a CD version. City Manager Chan stated the cost difference would not be significant; however, staff will supply the information to Council as requested.

Director of Public Works Rose gave a brief presentation on the General Services Program for Fleet. The only changes with this program are fuel prices.

Vice Mayor Hamilton inquired if it is more cost effective to use the gas powered vehicles due to the high cost of hybrid vehicles. Director of Public Works Rose explained that the City attempts to use alternative vehicles as much as possible and when feasible, is moving more toward hybrid vehicles, electric vehicles, and in the future potentially hydrogen fueled vehicles.

Director of Parks and Recreation Lewis gave a brief presentation on Facility Services.

Councilmember Moylan inquired why Facility Services is part of the Parks and Recreation budget and not part of Public Works. Director of Parks and Recreation Lewis stated there is not any real reason why the maintenance of facilities is part of the Parks and Recreation budget, but many facilities do reside within the Parks and Recreation Department. City Manager Chan stated she had considered adding a General Services Department but decided against that change. Councilmember Moylan inquired if City Manager Chan would recommend that Council take a closer look at projects that cross over departments. City Manager Chan stated that would really depend on the new city manager, because as set by the City Charter it is the city manager's responsibility to assess staff's capacity and efficiency.

PROJECTS BUDGET

City Manager Chan provided a review of the projects budget.

Councilmember Whittum confirmed with City Manager Chan that the digital marquee in the amount of \$295,000 is included in the 2008/09 budget.

REVIEW OF FEE SCHEDULE

City Manager Chan explained there are eight fees being proposed.

Councilmember Swegles stated he supplied the Director of Parks and Recreation Lewis with his suggestions for fee increases. Councilmember Swegles explained that he supports continuing to increase non-resident fees at the City golf courses, because non-residents are the largest users of the courses.

Councilmember Howe asked when the re-notice fee for Community Development would apply to a project. Director of Community Development Hom explained that when Council continues an item to a date certain, it will not require re-noticing and therefore the fee would not apply. However, when an application is extended to an uncertain date at the request of the appellant or applicant, then the re-notice fee would apply.

Councilmember Swegles verified with City Manager Chan that the fees for non-profit groups to use Plaza Del Sol will be highlighted in the staff report. Councilmember Swegles verified that Council has the option to extend the current fee waiver for non-profits for another year after reviewing the staff report.

Councilmember Whittum stated the three items coming out of the Park Dedication Fees do not appear to be appropriate uses for that fund. Councilmember Whittum stated the items being proposed do not appear to be capital improvements; rather they seem to be maintenance items. City Manager Chan explained that it is appropriate to use Park Dedication Funds for rehabilitation and repair, but not to support ongoing services. City Manager Chan stated since the inception of this fund, the City has never used funds for ongoing maintenance. City Manager Chan stated she would re-circulate the City Attorney's opinion on this item to Council. Councilmember Whittum stated it is clear that maintenance is not a permitted use for this fund and there is \$60,000 in repairs for pathways at the golf courses and those repairs are maintenance.

Councilmember Whittum inquired if the 20 percent contingency reserve is what would be used in an emergency situation. City Manager Chan explained that during an emergency, any funds that have to be pulled out of the contingency fund will be replenished the following year. The action of replenishing funds is an example of the City of Sunnyvale's financial discipline. Councilmember Whittum inquired whether the Lawrence Station Transit Village received grant funding. City Manager Chan stated the funding agency looked at the project, and stated it was not a good candidate for the grant.

Councilmember Moylan inquired about a bill in the legislature which would allow cities to do the same thing with transit orientated development as currently being done with redevelopment agencies. Should the bill pass and the City move forward with the Lawrence Station Transit Village, then that project would apply. City Manager Chan stated she did not think the proposed bill applied to the City, but she would do some further research and return to Council with additional information.

Councilmember Moylan noted that staff is working on a study issue regarding transit and he would expect that funding sources would be identified within that study issue.

SUMMARY AND CONCLUDING REMARKS

City Manager Chan explained that the public hearing for the budget will be held on June 3, 2008 and the budget adoption will occur on June 10, 2008.

City Manager Chan thanked Council for their support and attention.

Councilmember Swegles thanked staff and the city manager for their work on the budget.

Vice Mayor Hamilton stated staff and the city manager have done an excellent job on the budget.

Vice Mayor Hamilton stated the city manager subcommittee met yesterday and worked on a timetable for the city manager hiring process. Vice Mayor Hamilton stated August 4, 2008 and the morning of August 5, 2008 were selected as dates for panel interviews with potential city manager candidates.

Councilmember Lee thanked the city manager and staff for their comprehensive report. Councilmember Lee stated it is good to hear that Sunnyvale is doing well based on the City's long-term budget planning process.

Mayor Spitaleri thanked the city manager, directors and staff for their work on the budget. Mayor Spitaleri stated the budget subcommittee is good process and he is sure it will be improved as time goes on.

ADJOURNMENT

Mayor Spitaleri declared the meeting adjourned (time not recorded).

Gail Borkowski
City Clerk

Date: _____